

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes of August 5, 1998 Meeting

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: September 3, 1998

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the August 5, 1998 meeting of the Teachers' Retirement Board.

PROPOSED
MINUTES OF
TEACHERS' RETIREMENT BOARD
OPEN SESSION
WEDNESDAY, AUGUST 5, 1998
STATE TEACHERS' RETIREMENT SYSTEM
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA

BOARD MEMBERS PRESENT

Emma Zink, Chairperson
George Fenimore
Gary Lynes
Marty Mathiesen
Michael Mayer
Lillian Raffel
Fred Buenrostro, representing State Controller, Kathleen Connell
Richard Whitmore, representing Superintendent of Public Instruction, Delaine Eastin
Christine Drevalas, representing State Treasurer, Matt Fong
Robin Dezember, representing Director of Finance, Craig Brown

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Waddell, Chief Counsel
Michael Carter, DCEO, Client Benefits & Services
Laurence Martin, DCEO, Information and Financial Services
Peggy Plett, DCEO, Administration
Jennifer DuCray-Morrill, DCEO, Governmental Affairs & Program Development
Bill Hobbs, START Project
Ed Derman, Director, Legislation, Planning and Research Division
Mary Miles, Administrative Assistant

OTHERS PRESENT

George Wichman, CTA
Arthur Geisler, CTA
Charles C. Granatana
Elizabeth Mackenzie, CRTA

A quorum being present, Chairperson Zink called the August 5, 1998 meeting to order at 10:20 a.m.

II. APPROVAL OF MINUTES OF JULY 9, 1998 MEETINGS

Alternative Investment Tiered Rating System, the General-1998 Investment Management Plan, and the report from the Chief Investment Officer. Activity Status Reports were provided for Credit Enhancement Program, Real Estate and Alternative Investments.

BY CONSENSUS, the report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: This report will be tabled until September.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman distributed a request from the California Retired Teachers Association to include a card in one of the System's warrant mailings. This insert informs retirees of the existence of retirement organizations and provides a mechanism to request information. CRTA would pay the costs associated with the mailing. Mr. Lynes requested that a disclaimer be placed on the bottom of the card stating that the insert was being provided as a service and a convenience, and that the System does not specifically endorse any organization.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Raffel, and carried to approve the California Retired Teachers Association's request to insert a card with a System warrant mailing provided it includes the suggested disclaimer.

Mr. Mosman informed the Board that the valuation language is still included in the proposed State budget.

VI. **START PROJECT STATUS**

Mr. Hobbs reported that staff was testing two deliverables and had found no significant problems. Staff continues working with SPL in classifying different problems and providing mechanisms to address those problems.

VII. **UPDATE ON LEGISLATION**

STATE: Ms. DuCray-Morrill presented the following proposals for the Board's review.

SB 1879 (Hayden and Kopp) - This bill prohibits investments in certain Swiss banks and Swiss investment companies from January 1, 1999 until January 1, 2000. Staff recommended that the Board take an oppose position. Discussion ensued regarding the lack of indemnification for the Board or the Fund.

MOTION duly made by Mr. Mathiesen, to take an oppose position on Senate Bill 1879. Motion died for lack of second.

MOTION duly made by Ms. Drevalas, seconded by Ms. Raffel to table Senate Bill 1879 until the amendments are completed. ROLL CALL: Mss. Raffel and Drevalas, and Mr. Mayer voted yes. Messrs. Lynes, Fenimore, and Mathiesen voted no. Messrs. Dezember, Buenrostro, and Whitmore abstained. Motion fails.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Lynes, to take an oppose position on Senate Bill 1879. ROLL CALL: Messrs. Fenimore, Lynes, and Mathiesen voted yes. Ms. Raffel, and Mr. Mayer voted no. Ms. Drevalas and Messrs. Buenrostro, Whitmore, and Dezember abstained. Motion fails.

Ms. Drevalas stated that the Treasurer was abstaining from this vote because the bill was not in its final form.

Ms. DuCray-Morrill informed the Board that discussions continue with the administration regarding benefit increases, and as a result, the Department of Finance (DOF) is taking an oppose position on all Board sponsored legislation pending the discussion on benefit increases. Therefore, staff is unable to move the bills to the governor due to fear of potential veto. Ms. DuCray-Morrill stated that she will meet with DOF to differentiate the Board bills associated with benefit increases and those which are administrative only in an effort to move some bills. Senator Schiff, author of Senate Bill 2126, has agreed to amend the bill to include the credit enhancement provisions.

Mr. Lynes requested that staff prepare and send a status report on the budget and legislative action toward the end of August.

FEDERAL LEGISLATION: Ms. DuCray-Morrill stated that staff is making progress on the appropriate language needed from Congress for the first installment of funds due to the sale of Elk Hills. Mandatory Social Security continues to be staff's primary issue. Educational material is being prepared.

VIII. **1997/98 PRODUCTION OBJECTIVES REPORT**

Mr. Carter presented the System's achievement of the Fiscal Year 1997/98 Production Objectives and a comparison of STRS' Objectives to CalPERS.

IX. **1998/99 BUSINESS PLAN**

Mr. Mosman presented this item.

MOTION duly made by Mr. Whitmore, seconded by Mr. Mayer, and carried to

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Mr. Wichman, CTA, commented on the improved level of service which has resulted in a significant reduction in the number of complaints he receives from CTA members.

XII. **ADJOURNMENT**

Chairperson Zink went directly into Closed Session to discuss investment issues at 12:55 p.m.

At 12:56 p.m., Chairperson Zink returned to open session. There being no further business to conduct, Chairperson Zink adjourned the meeting at 12:57 p.m.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Emma Zink, Chairperson